



WEEKLY ECONOMIC DIGEST



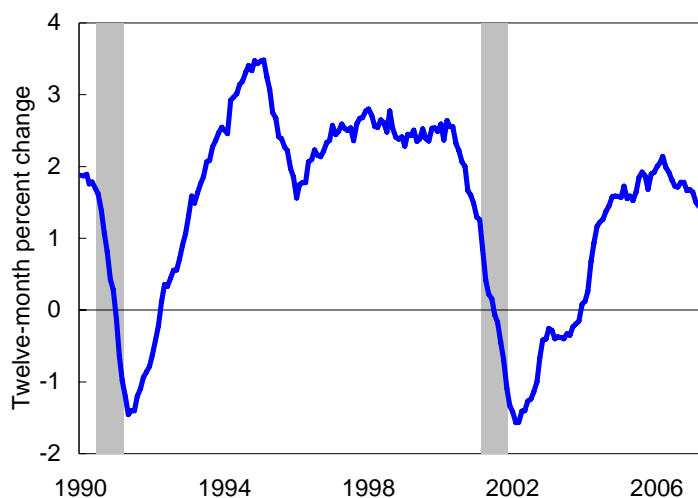
JOINT ECONOMIC COMMITTEE

SENATOR CHARLES E. SCHUMER (D-NY) — CHAIRMAN

April 13, 2007

Payrolls Rebounded in March, But Rising Pump Prices Worry Consumers

Change in Nonfarm Payroll Employment



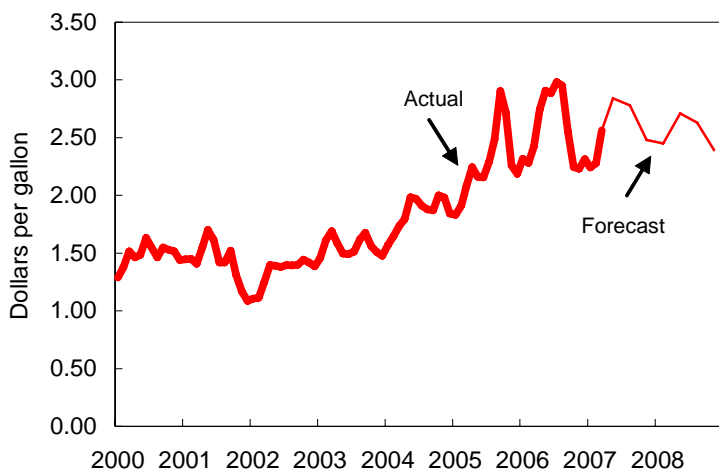
Source: Bureau of Labor Statistics, U.S. Department of Labor; and National Bureau of Economic Research.

Note: The gray areas indicate periods of recession as defined by the National Bureau of Economic Research.

- **A rebound in construction employment helped boost payrolls in March.** Payroll employment at nonfarm establishments rose by 180,000 jobs last month, following a gain of 113,000 jobs in February. Construction employment rebounded by 56,000 jobs in March from a weather-related decline of 61,000 jobs in February. Even so, total nonfarm employment has grown by just 1.4 percent over the past 12 months, well below the pace of job creation during the expansion of the 1990s (see top chart).

- **The unemployment rate edged lower last month.** The civilian unemployment rate declined by 0.1 percentage point to 4.4 percent in March. The percentage of the population with a job rose by 0.1 percentage point to 63.3 percent, while the percentage of the population either working or looking for a job was unchanged at 66.2 percent. Both of those measures remain a full percentage point below their levels at the start of the recession in March 2001.

Average Retail Price of Regular Grade Gasoline



Source: Energy Information Administration, U.S. Department of Energy.

- **The trade gap narrowed slightly in February, but remains large.** Both exports and imports of goods services declined in February, but the drop in imports (\$3.2 billion) was larger than the drop in exports (\$2.8 billion). As a result, the deficit for international trade in goods and services (imports minus exports) declined by \$0.4 billion to \$58.4 billion in February, but remains unsustainably large.

- **Gasoline prices continue to rise, further depressing consumer sentiment.** The average retail price for regular grade gasoline rose to \$2.80 per gallon this week. That is 64 cents a gallon higher than the price in late January. The Energy Department expects prices to peak at a monthly average of \$2.87 per gallon in May before moderating (see bottom chart). The Reuters/University of Michigan index of consumer sentiment is expected to decline 3.5 percent this month (the third consecutive drop) largely reflecting the recent surge in fuel prices.

The Economy at a Glance	Mar	Feb	Jan	Dec	2007 Qtr 1	2006 Qtr 4	2006 Qtr 3	2006 Qtr 2	2006	2005
Economic Activity										
Real GDP (% growth)	—	—	—	—	n.a.	2.5	2.0	2.6	3.3	3.2
Industrial Production (% growth)*	n.a.	12.7	-3.5	10.0	n.a.	-1.2	4.0	6.5	3.9	3.2
Capacity Utilization (level, %)*	n.a.	82.0	81.4	81.7	n.a.	81.6	82.3	82.0	81.8	80.2
Civilian Unemployment Rate (level, %)	4.4	4.5	4.6	4.5	4.5	4.5	4.7	4.7	4.6	5.1
Housing Starts (thousands)	n.a.	1525	1399	1633	n.a.	1559	1714	1873	1817	2073
Real Disposable Personal Income (% growth)	n.a.	1.7	7.1	1.8	n.a.	5.3	3.2	-1.5	2.6	1.2
Retail Sales (% growth)*	n.a.	0.8	-0.1	14.4	n.a.	0.9	3.6	2.6	6.2	6.6
Personal Saving Rate (level, %)	n.a.	-1.2	-1.2	-1.4	n.a.	-1.2	-1.4	-1.4	-1.1	-0.4
Inflation & Productivity										
CPI-U Inflation, all items (% growth)*	n.a.	4.9	2.4	4.9	n.a.	-2.1	3.1	5.0	3.2	3.4
Core CPI-U Inflation (% growth)*	n.a.	2.4	3.7	1.2	n.a.	1.9	3.0	3.3	2.5	2.2
Compensation per hour (% growth)	—	—	—	—	n.a.	3.2	4.1	3.6	3.1	3.3
Output per hour (% growth)	—	—	—	—	n.a.	1.6	-0.5	1.2	1.6	2.1
Financial Markets										
T-bill Rate, 3-month (level, %)	4.94	5.03	4.98	4.85	4.98	4.90	4.91	4.70	4.73	3.15
T-note Rate, 10-years (level, %)	4.56	4.72	4.76	4.56	4.68	4.63	4.90	5.07	4.80	4.29
Federal Funds Rate (level, %)	5.26	5.26	5.25	5.24	5.26	5.25	5.25	4.91	4.97	3.22
Dow Jones Industrial Avg (index level)	12269	12631	12513	12378	12471	12175	11274	11189	11409	10548

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for civilian workers. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

*Subject to revision over the next week.

Upcoming Economic Releases:

- **Advance Monthly Sales for Retail and Food Services: March 2007** [Release: Monday, April 16]
- **Manufacturing and Trade Inventories and Sales: February 2007** [Release: Monday, April 16]
- **Consumer Price Index: March 2007** [Release: Tuesday, April 17]
- **New Residential Construction: March 2007** [Release: Tuesday, April 17]
- **Industrial Production and Capacity Utilization: March 2007** [Release: Tuesday, April 17]
- **Usual Weekly Earnings of Wage and Salary Workers: First Quarter 2007** [Release: Tuesday, April 17]